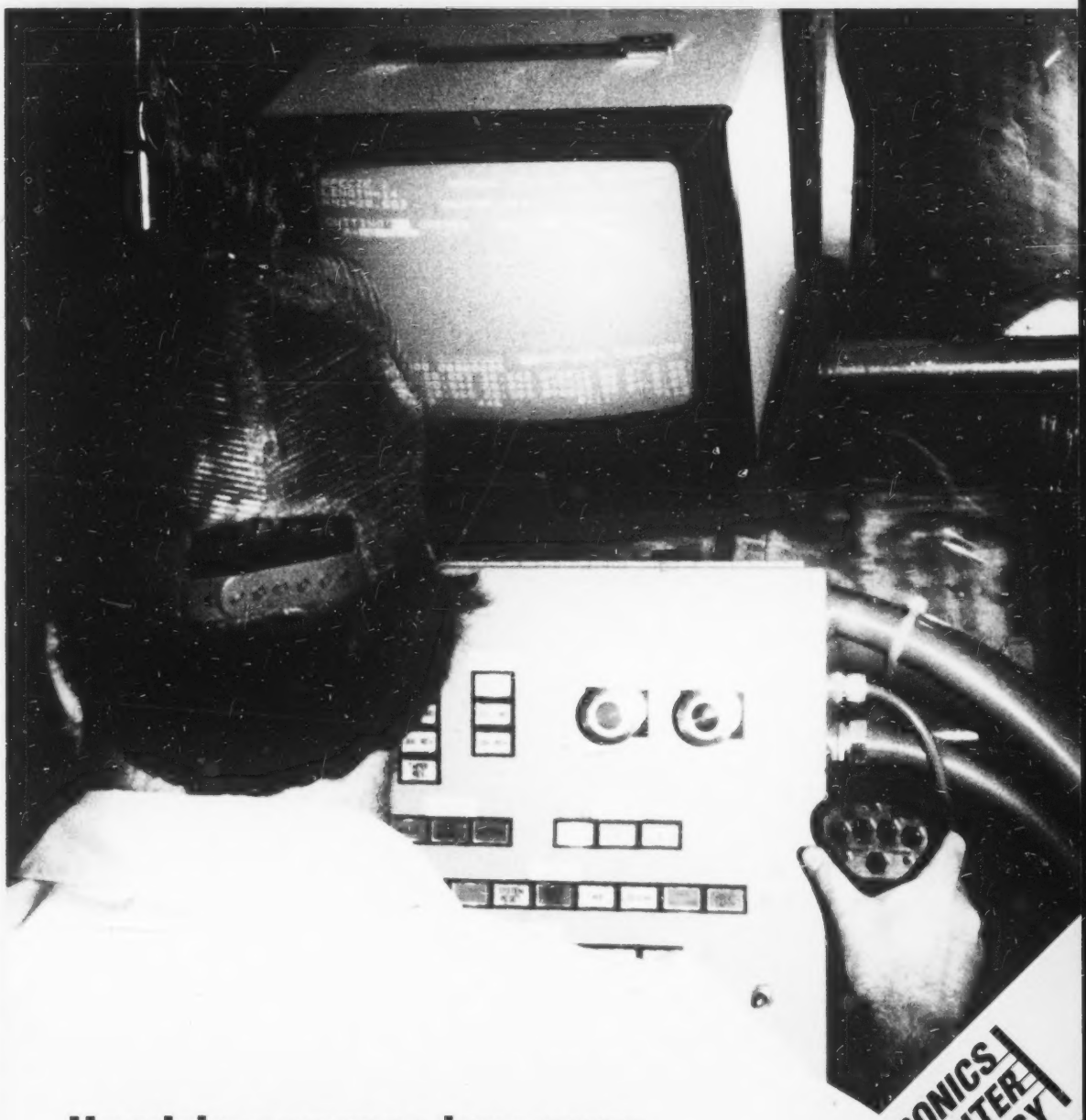
SEPTEMBER 1985

FOREST INDUSTRIES

LOGGING/PULPWOOD/FORESTRY/LUMBER/PANELS



Headrig scanner improves hardwood recovery, output

ELECTRONICS AND COMPUTER TECHNOLOGY

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New mill startups scheduled for this fall

BAXLEY, GA.—ITT Rayonier's new high-production, pine dimension mill here is scheduled to be at full capacity by early October. The band/sharp chain operation has a designed capacity of 75 million bd ft.

In other news about startups:

- M. C. Dixon Lumber Co. in Eufaula, Ala., plants to start up its fully optimized band/sharp chain mill in October. It will initially manufacture about 150,000 bd ft of dimension lumber per 8-hour shift.
- J. P. Smith Lumber Co. in Menlo, Ga., is in the final stages of construction of its elevated circle mill. Startup is scheduled for late September. The mill will process some 35,000 bd ft of hardwood per 8-hour shift.
- C. H. Best & Son at Floyds Knobs, Ind., is working toward a November startup of its new high-grade hardwood band mill. The mill is designed to saw about 4 million bd ft of hardwood logs annually. ■

Mid-year earnings collapse in U.S., Canada

SAN FRANCISCO, CALIF.—Forest products companies reported sharply lower earnings in the second quarter than they enjoyed a year ago. A selection of U.S. and Canadian companies saw profits down on both sides of the border.

Among 16 American forestry firms, aggregate profits fell 32.4% to $408.76 million in the quarter. These companies' sales eased only 4.3%, however. And while Canadian companies reported a 9.0% increase in sales, their profits were off 21.7% at C$47.9 million.

U.S. lumber producers said the strong dollar hurt their profits by encouraging imports of Canadian lumber. Canada has taken about half of the market for dimension lumber, but its share of the overall U.S. market is a little over 30%.

The strong dollar also hurt earnings of integrated companies' pulp and paper operations. Prices for market pulp, linerboard and uncoated papers have been weak, thanks to poor domestic demand, while the costly dollar hurt exports.

Excessive capacity gets the blame for problems in both lumber and pulp profits. Potlatch Corp. chairman and chief executive officer Richard B. Madden told shareholders, "Oversupply and depressed prices more than offset demand for both lumber and panel products." He was referring to last year's performance, but conditions have not changed much.

"Conditions remain chaotic in our industry," commented Clifford J. Grum, president and chief executive officer of Temple-Inland Inc. "It is very difficult to forecast our markets for the rest of the year," he added.

Results were mixed at Boise Cascade Corp., where chairman and chief executive officer John B. Fery said that profits on the paper side fell, while those in building products rose. A soft U.S. economy and the strong dollar hurt paper, while consolidation of solid-wood operations pushed up profits there.

On the other hand, Willamette Industries enjoyed a record-tying second quarter. Its $17.6-million profit in the second quarter tied the mark set in 1979's second quarter. Willamette president William Swindells said an improved housing market and the company's cost-cutting and productivity programs boosted profits on building materials. Paper earnings were flat.

Harry Merlo, Louisiana-Pacific's chairman and president, expects some improvement in pulp and paper prices in the fourth quarter. Lower pulp inventories and a slightly weaker dollar should boost exports. As for the second quarter, Merlo said the stronger building products market "was certainly the bright spot."

Georgia-Pacific Corp. and Southwest Forest Industries reported their building products businesses did well, while pulp operations lost money. ■

U.S. forest industry results (second quarter 1985)

Companies	Sales ($000)	% Chg '85/84	Earnings[1] ($000)	% Chg '85/84
Boise Cascade	952,730	-4.6	31,680*	-5.4
Champion Intl.[2]	1,598,836	38.8	43,346	8.0
Chesapeake Corp.	86,812	2.9	5,402	-11.4
Crown Zellerbach	769,400	-0.3	21,500	-33.8
Georgia-Pacific	1,794,000	7.4	67,000*	1.5
Hammermill Paper	437,418	-3.5	10,814	-36.3
International Paper	1,200,000	0.0	35,200	-47.5
Louisiana-Pacific	344,970	6.3	4,970	-33.9
Pacific Lumber Co.	67,164	-10.1	10,082	-25.7
Pope & Talbot	85,262	8.6	1,835	-30.1
Potlatch Corp.	248,619	-3.9	10,543	-33.8
Scott Paper	761,100	6.9	53,100	0.4
Southwest Forest	178,850	-14.7	(2,876)*	n.m.
Temple-Inland	326,500	-0.9	24,200	-16.0
Union Camp	477,605	-5.9	24,715	-51.8*
Westvaco	436,226	-2.4	22,952	-18.7
Weyerhaeuser	1,400,117	-4.8	59,683	-42.5
Willamette	304,083	0.0	17,646	5.3

1. Income after taxes from continuing operations, excluding most significant items in both years.
2. Champion results include those of former St. Regis Corp., which was acquired in late 1984.
* **Boise:** includes $17.8 million pretax gain from sale of Newcastle, N.B., mill; **Georgia-Pacific:** excludes $17 million income from discontinued operations; **Southwest Forest:** loss includes $1 million pretax gain from sale of lumber unit; n.m. = Not meaningful.

Canadian forest industry results (second quarter 1985)

Companies	Sales (C$000)	% Chg '85/84	Earnings[1] (C$000)	% Chg '85/84
Abitibi-Price	662,354	12.9	21,307	3.1*
B.C. Forest Prod.	290,100	10.4	7,100	20.3
Canfor Corp.	307,400	13.1	-8,600	n.m.
Domtar	527,500	1.0	18,700*	-15.0*
Great Lakes For. Prod.	146,819	-6.5	-1,657	n.m.
Mac-Bloedel	598,000	11.9	7,800	-17.0
Weldwood	173,746	17.4	3,296	319.9

1. Income after taxes from continuing operations, excluding most significant items in both years.
* **Abitibi:** excludes 1984 extraordinary loss of $2,350,000; **Domtar:** excludes special gains of $1,300,000 in 1985 and $1,500,000 in 1984; n.m. = Not meaningful.

FI STOCK INDEX

Exch	Company	Ticker Symbol	Closing Price 7/15/85	Closing Price 8/15/85	Net Chg in Period	% Chg in Period	P/E Ratio	Annual Div Rate	Yield	52 Week High	52 Week Low
OTC	Bohemia Inc.	BOHM	11.25	10.88	-.37	-3.29	d	.10	.92	12.50	7.75
NYS	Boise Cascade	BCC	49.50	45.38	-4.12	-8.32	20	1.90	4.19	51.00	36.25
NYS	Bowater Inc.	BOW	24.00	23.50	-.50	-2.08	9	.72	3.06	25.88	19.00
NYS	Champion Intl	CHA	23.88	23.25	-.63	-2.64	d	.40	1.72	25.38	18.38
NYS	Chesapeake	CSK	35.00	36.25	1.25	3.57	10	1.24	3.42	39.50	32.00
OTC	Consol. Paper (H)	CPER	49.00	51.50	2.50	5.10	12	1.48	2.87	54.63	25.13
NYS	Crown Zellerbach	ZB	42.00	38.25	-3.75	-8.93	18	1.00	2.61	44.88	27.88
NYS	Fed. Paper Board	FBO	19.00	20.00	1.00	5.26	10	.70	3.50	27.00	16.63
NYS	Ft. Howard Paper (H)	FHP	74.13	77.00	2.87	3.87	17	1.64	2.13	79.13	56.50
NYS	Georgia-Pacific	GP	24.50	23.00	-1.50	-6.12	29	.80	3.48	27.38	20.00
ASE	Glatfelter (P.H.)	GLT	35.75	34.00	-1.75	-4.90	7	.88	2.59	35.75	19.38
NYS	Gr. Northern Nek.	GNN	40.00	38.00	-2.00	-5.00	12	1.52	4.00	41.75	31.63
NYS	Hammermill (H)	HML	35.38	38.63	3.25	9.19	14	1.36	3.52	38.63	26.88
NYS	Intl Paper	IP	49.38	48.63	-.75	-1.52	57	2.40	4.94	57.75	47.13
NYS	James River	JR	33.50	34.38	.88	2.63	11	.56	1.63	37.00	23.75
OTC	Jefferson Smurfit	JJSC	20.25	21.75	1.50	7.41	9	.40	1.84	25.25	15.00
NYS	Kimberly-Clark (H)	KMB	57.75	60.88	3.13	5.42	11	2.32	3.81	61.13	43.00
NYS	Koppers Corp.	KOP	17.75	17.63	-.12	-.68	—	.80	4.54	22.63	17.00
OTC	Longview Fibre	LFBR	24.00	24.75	.75	3.12	13	1.28	5.17	25.75	20.75
NYS	Louisiana-Pacific	LPX	22.50	19.88	-2.62	-11.64	43	.80	4.02	25.13	17.75
NYS	Mead Corp.	MEA	43.38	40.88	-2.50	-5.76	10	1.20	2.94	44.75	32.50
OTC	Mosinee Paper	MOSI	14.00	14.25	.25	1.79	9	.36	2.53	14.63	11.75
NYS	Pacific Lumber	PL	27.75	28.25	.50	1.80	18	1.20	4.25	29.25	23.63
OTC	Pentair Inc.	PNTA	30.25	28.25	-2.00	-6.61	10	.68	2.41	31.25	18.38
NYS	Pope & Talbot	POP	19.75	17.88	-1.87	-9.47	d	.80	4.47	21.50	15.25
NYS	Potlatch Corp.	PCH	37.25	33.13	-4.12	-11.06	13	1.56	4.71	38.13	28.00
NYS	Scott Paper Co.	SPP	40.88	41.75	.87	2.13	10	1.24	2.97	44.50	28.63
OTC	Sonoco Products	SONO	28.00	27.00	-1.00	-3.57	d	0.00	0.00	28.50	18.75
NYS	Southwest Forest	SWF	13.25	12.75	-.50	-3.77	—	0.00	0.00	18.75	11.75
NYS	Stone Container	STO	28.38	29.63	1.25	4.40	13	.60	2.02	39.00	24.00
NYS	Temple-Inland	TIN	38.13	37.25	-.88	-2.31	9	.64	1.72	40.38	29.63
NYS	Union Camp	UCC	37.50	38.00	.50	1.33	13	1.64	4.32	41.75	31.63
NYS	Westvaco Corp.	W	39.00	37.75	-1.25	-3.21	8	1.32	3.50	41.75	34.88
NYS	Weyerhaeuser Co.	WY	29.50	27.38	-2.12	-7.19	23	1.30	4.75	34.00	25.88
OTC	Willamette Ind.	WMTT	42.00	43.50	1.50	3.57	9	1.65	3.79	46.75	28.50
Canadian Forest Products Companies											
TOR	Abitibi-Price	—	18.00	18.25	.25	1.39	15	—	—	20.00	8.13
TOR	BC Forest Prod.	—	9.25	10.00	.75	8.11	—	.13	1.30	12.50	8.38
TOR	Canfor Ltd.	—	9.25	9.00	-.25	-2.70	d	0.00	0.00	15.50	8.25
TOR	Consol.-Bathurst (H)	—	17.25	18.63	1.38	8.00	16	.60	3.22	19.00	12.63
TOR	Crestbrook	—	8.75	8.38	-.37	-4.23	65	.05	.60	9.75	7.00
TOR	Crown For. Ind.	—	30.63	30.50	-.13	-.42	d	0.00	0.00	31.50	30.25
TOR	Domtar Inc.	—	18.75	19.88	1.13	6.03	9	1.40	7.04	19.88	14.50
MON	Donohue Inc.	—	17.00	18.00	1.00	5.88	8	.72	4.00	19.50	14.50
TOR	Great Lakes	—	20.25	22.00	1.75	8.64	25	.40	1.82	24.00	19.00
TOR	MacMillan Bloedel	—	20.63	21.75	1.12	5.43	—	—	—	29.75	20.50

Market Diary

Most Active Issues

Largest dollar gainer	Hammermill Paper	+$3.25
Largest dollar loser	Boise Casade	-$4.12
Largest percentage gainer	Hammermill Paper	+9.19%
Largest percentage loser	Louisiana-Pacific	-11.64%

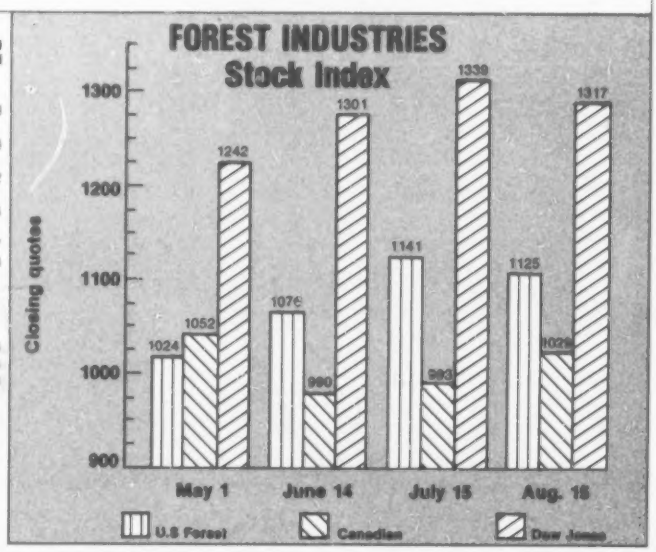
Advances, 22; Declines, 23; Unchanged, 0; New highs (H), 5; New lows (L), 0

Key

(H) = New High; (L) = New Low; (d) = Deficit.
MON = Montreal; NYS = New York; ASE = American; OTC = Over the Counter; TOR = Toronto.

All OTC quotes are represented as the bid price.
All Canadian quotes are in Canadian dollars.

	Close 7/15/85	Close 8/15/85	Net Chg in Pd	% Chg in Pd
Forest Industries Stock Index	1141.16	1125.40	-15.76	-1.38
Canadian Forestry Stock Index	992.56	1028.58	36.02	3.63
Dow Jones Industrial Avg.	1338.60	1316.98	-21.62	-1.62
Standard & Poor's 500-Stock Index	193.29	187.41	-5.88	-3.04
Standard & Poor's 400 Industrials	212.48	208.29	-4.19	-1.97
NYSE Composite	112.13	108.62	-3.51	-3.13



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